

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 L-03 H-01 PRS-01
PA-01 CEA-01 SP-02 USIA-06 AID-05 EB-07 NSC-05
CIEP-01 SS-15 STR-04 OMB-01 CIAE-00 COME-00 FRB-03
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USADB

FOR NAC AGENCIES

PASS TREASURY FOR ZINMAN

E. O. 11652: ADS, DECLAS 12/28/77
TAGS: EAID, EFIN
SUBJECT: FURTHER CONTRIBUTION FROM JAPAN TO ADB TECHNICAL ASSISTANCE
SPECIAL FUND (TASF)

REF: MANILA 19493

1. ON DECEMBER 23 ADB BOARD OF DIRECTORS APPROVED ACCEPTANCE
FROM GOVERNMENT OF JAPAN OF SUBSTANTIALLY UNITED CONTRI-
BUTION OF YEN 863 MILLION (EQUIVALENT AT CURRENT RATES TO
US\$3,001,530) TO BANK'S TASF. PRESS RELEASE POUCHED.

2. JAPANESE DIRECTOR, IN NOTING THIS IS TENTH CONTRIBUTION
BY JAPAN TO TASF, SAID HE WOULD LIKE TO MAKE SEVERAL PERSONAL
COMMENTS ON UTILIZATION OF FUNDS FROM JAPAN. BETWEEN 1968
AND 1972, JAPANESE GOVERNMENT MADE SIX CONTRIBUTIONS TO TASF
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AMOUNTING TO APPROXIMATELY \$6 MILLION WITH PROCUREMENT TIED
TO JAPAN. SUBSEQUENTLY, JAPAN MADE THREE UNITED CONTRIBUTIONS
EQUIVALENT TO \$6 MILLION, EXCLUDING CURRENT CONTRI-
BUTION. HOWEVER, OF \$6 MILLION IN TIED CONTRIBUTIONS,
THERE IS AN UNCOMMITTED BALANCE OF \$4.7 MILLION OR
ABOUT 80 PERCENT. ON OTHER HAND, ONLY \$527,000 OF

UNITED FUNDS WERE UNCOMMITTED AS OF SEPTEMBER 30, 1976.

3. JAPANESE DIRECTOR INDICATED THAT ALL UTILIZATIONS FROM UNITED CONTRIBUTIONS RELATED TO NON-JAPANESE PROCUREMENT, WHILE UTILIZATION OF TIED FUNDS RESULTED IN JAPANESE PROCUREMENT OF ONLY ABOUT \$1.2 MILLION, OR AN AVERAGE OF ABOUT \$150,000 A YEAR. THUS, HE ADDED, HE WAS CONCERNED ABOUT FACT THAT SUBSTANTIAL AMOUNT OF THESE TIED FUNDS HAS REMAINED UNUTILIZED. THIS COULD MEAN THAT PERHAPS BANK HAS NOT BEEN INTERESTED IN TECHNICAL ASSISTANCE OR HAS BEEN UNWILLING TO UTILIZE FULLY JAPANESE CONTRIBUTION IN ORDER TO GAIN INCOME FROM TASF. OR PERHAPS BANK HAS IMPOSED UNNECESSARY SELF-CONSTRAINT ON UTILIZATION OF THESE RESOURCES.

4. JAPANESE DIRECTOR REQUESTED MANAGEMENT TO TAKE NECESSARY ACTION TO EXAMINE SITUATION AND TO COME UP WITH APPROPRIATE MEASURES WITHIN SCOPE OF ADB CHARTER IN ORDER TO FACILITATE MORE EFFICIENT UTILIZATION OF JAPANESE CONTRIBUTION IN ORDER TO ACHIEVE ITS ORIGINAL PURPOSE. CONTINUATION OF THIS SITUATION, HE ADDED, MIGHT POSSIBLY AFFECT ADVERSELY FURTHER CONTRIBUTIONS TO BANK. MOST OF US, HE ALSO SAID, ARE OF OPINION THAT SHARE OF JAPANESE CONTRIBUTION TO TOTAL CONTRIBUTIONS TO SPECIAL FUNDS SHOULD NOT BE EXCESSIVELY HIGH AND REASONABLE SHARE IN CONTRIBUTED FUNDS SHOULD PREFERABLY BE MAINTAINED THROUGH AUGMENTATION FROM VARIOUS DEVELOPED MEMBER COUNTRIES.

5. JAPAN, HE CONCLUDED HAS CONTINUED TO MAKE UNITED LIMITED OFFICIAL USE

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CONTRIBUTIONS TO TASF FOR PAST THREE YEARS, WHILE SOME OTHER COUNTRIES WHICH HAVE BEEN MAKING REMARKABLE PERFORMANCE ON PROCUREMENT OF CONSULTANTS HAVE NOT YET SHOWN WILLINGNESS TO INITIATE CONTRIBUTIONS OR TO CONTINUE CONTRIBUTING TO TASF. IN THIS CONNECTION, HE ADDED, IF IT WERE FOUND THAT PRESENT METHOD OF UNTYING WOULD DISCOURAGE MEMBERS FROM MAKING FURTHER CONTRIBUTIONS, THERE MIGHT BE NEED FOR REVIEW OF TERMS OF FURTHER CONTRIBUTIONS.

6. COMMENT: USADB ASSUMES THAT JAPANESE DIRECTOR MADE STATEMENT ON INSTRUCTIONS OF HIS GOVERNMENT. IT WAS PROBABLY AIMED ESPECIALLY AT U.S. GOVERNMENT, SINCE LAST U.S. CONTRIBUTION WAS MADE IN 1971 WHILE U.S. HAS RECEIVED ABOUT ONE-FOURTH OF TOTAL PROCUREMENT UNDER TECHNICAL ASSISTANCE OPERATIONS. ON OTHER HAND, JAPAN RECEIVES LION'S SHARE OF PROCUREMENT OF GOODS AND RELATED SERVICES.

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